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D'ELDONA GOLD MINES LIMITED

Annual Report

**FOR THE YEAR
ENDED APRIL 30**

1967

D'ELDONA GOLD MINES LIMITED

Incorporated under the laws of the Province of Ontario

CAPITAL	Authorized	-	-	-	-	-	-	6,000,000 Shares
	Issued	-	-	-	-	-	-	5,555,666 Shares
	Remaining in Treasury	-	-	-	-	-	-	444,334 Shares

OFFICERS	E. FRANKLIN FURNISS	-	-	-	-	-	-	<i>President</i>
	ROBERT BROWN	-	-	-	-	-	-	<i>Vice-President</i>
	VICTOR H. HEDGES	-	-	-	-	-	-	<i>Secretary-Treasurer</i>

DIRECTORS	BRUCE A. BLACKBURN						ROBERT BROWN
	MURRAY COOPER						E. FRANKLIN FURNISS
							VICTOR H. HEDGES

TRANSFER AGENT AND REGISTRAR	EASTERN & CHARTERED TRUST COMPANY	-	-	-	-	Toronto
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BANKERS	ROYAL BANK OF CANADA	-	-	-	-	-	Toronto
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AUDITORS	FISHER, NISKER & COMPANY	-	-	-	-	-	Toronto
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SHARES LISTED	Toronto Stock Exchange
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HEAD OFFICE:	62 Richmond Street West, Toronto
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THE PRESIDENT'S REPORT

TO THE SHAREHOLDERS:

Your directors are pleased to present herewith your company's Annual Report and Financial Statements for the fiscal year ended April 30, 1967. Shareholders will note that one of the features of the period under review was the successful financing done to the extent of \$375,000. In May 1967 a further 150,000 Treasury shares were sold to provide an additional \$225,000. to working capital. This infusion of new capital totalling \$600,000. will enable your company to more than meet its present commitment for the underground exploration now being carried out on your Rouyn Township mining claims which were transferred earlier this year to a new company "Delbridge Mines Limited". Delbridge Mines Limited was formed in association with Falconbridge Mines Limited after that company had expended \$500,000. in initial surface and underground work. Your company has retained its 49% interest in Delbridge by providing its pro-rata portion of exploration and development capital since the formation of the new company.

The Delbridge program called for dewatering, to a depth of 900 ft., the original D'Eldona Shaft, which lies about 1,100 ft. north of the new ore zone indicated by Falconbridge's earlier exploration program from surface, and establishing drives south to the new zone on two levels. The first of these drives, known as the 501, at depth of 500 ft., extended along the easterly fringe of the new zone, which strikes in a north-south direction. The second, at 850 ft., was a two-phased drive. One arm extended along the westerly fringe of the new zone, while the second was taken eastward for 600 ft. at a point just north of the new zone, and then turned south to provide stations for deep exploratory drilling.

This work is now well underway; to the time of the preparation of this report seven holes had been completed from the East (802) drive, and two more were drilling. The holes completed successfully demonstrated the strong mineralization and alteration in which the new ore zone is enveloped, but basically were concentrated to the north of the expected continuation of the ore zones to depth. As drilling set-ups are moved southward, the possibilities for locating deeper ore are expected to increase.

From the West (801) drive on the 850-foot level, close-spaced definition drilling is continuing with good results. Your company's technical consultant, P. Holley-Hime, M.A., P.Eng., M.C.I.M.M., describes this work as follows:

"Drilling from the 801 drift is now almost complete and has also yielded a much clearer picture of the character and location of the ore shoots. Tonnage estimates from this level will probably be revised upward."

This statement follows his description of the definitive drilling on the 500-foot level, in which he says:

"From this drift 63 holes (four aborted due to faulting) have been drilled from the hanging wall for a total of some 10,522 feet. This work was aimed at better defining the exact location of the ore shoots between about 300 and 700 feet of depth than was possible from surface drilling.

"Results proved encouraging and previous estimates of tonnage will almost certainly be revised upward. Drilling from the 501 drift is now completed."

Since interpretation of the drilling is not complete, and the actual definitive program on the 850 level is still continuing at an intensive pace, it is impossible to arrive at precise estimates of tonnage. However, Mr. Holley-Hime in his review of the situation notes, while emphasizing the very preliminary nature of his estimate, that the drilling has suggested an estimated average grade of from 10% to 12% zinc, 4.5 to 5.0 oz. silver per ton, 0.10 oz. gold per ton, and copper ranging from 1.0% to 1.25%.

PRESIDENT'S REPORT - Continued

He concludes from his summation as follows:—

“An enlightened underground exploration program is corroborating and expanding the size of the high grade zinc-silver-copper-with-gold ore bodies found by surface drilling. These ore bodies are associated with chlorite alteration and the available geological data indicates that a volcanic vent or vents from which the ore metals emanated has yet to be found at depth. Continued drilling has good chances of intersecting additional ore down dip.”

The Delbridge program to date has involved 22,000 ft. of underground drilling and 4,800 ft. of crosscutting and drifting. Definitive drilling from the 801 is continuing and currently is checking out an interesting theory arising from the study of drill results from the 500 ft. level. This indicated a vertical faulting condition dividing the two main ore lenses on that horizon, with the northernmost ore lense being thrust upwards from its original position by some hundreds of feet. Current holes, some of which may be complete by the time this report is mailed to shareholders, should either confirm this thinking, or at least provide more elaborate information as to its feasibility. In this sense, these holes are considered to have an important bearing on future deeper drilling.

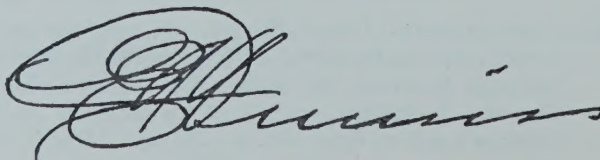
At the same time, deep exploration drilling from the East 802 drive is underway and only a small part of the program has been completed to date. Also, a series of exploratory holes is being drilled south of a fault which lies just north of the Delbridge southern boundary seeking the possibility of the southerly extension of the new ore area. Approximately 11,500 ft. of drilling is still to be completed in the present program.

As has been your management's practice, shareholders will be notified of progress as quickly as information becomes available. In the interval, your management would like shareholders to note the special tribute that is due the Falconbridge Nickel organization which has been conducting the operation. They have made available for your company's benefit a great depth of technical skill in this exploration-development program. Also we acknowledge the excellent service provided by your company's own technical consultant Mr. P. Holley-Hime, with whom a good degree of co-operation has been established with the Falconbridge organization.

In conclusion, your directors wish to emphasize that the underground program has been conducted efficiently and effectively, extending the original picture suggested from surface drilling, and also confirming the excellent possibilities for locating further ore at deeper horizons. This, in fact, is a significant feature of the program when the history of ore occurrences in the Noranda-Rouyn area is taken into consideration. The picture as it stands at the moment is clearly demonstrated in the accompanying diagrams, which are self-explanatory.

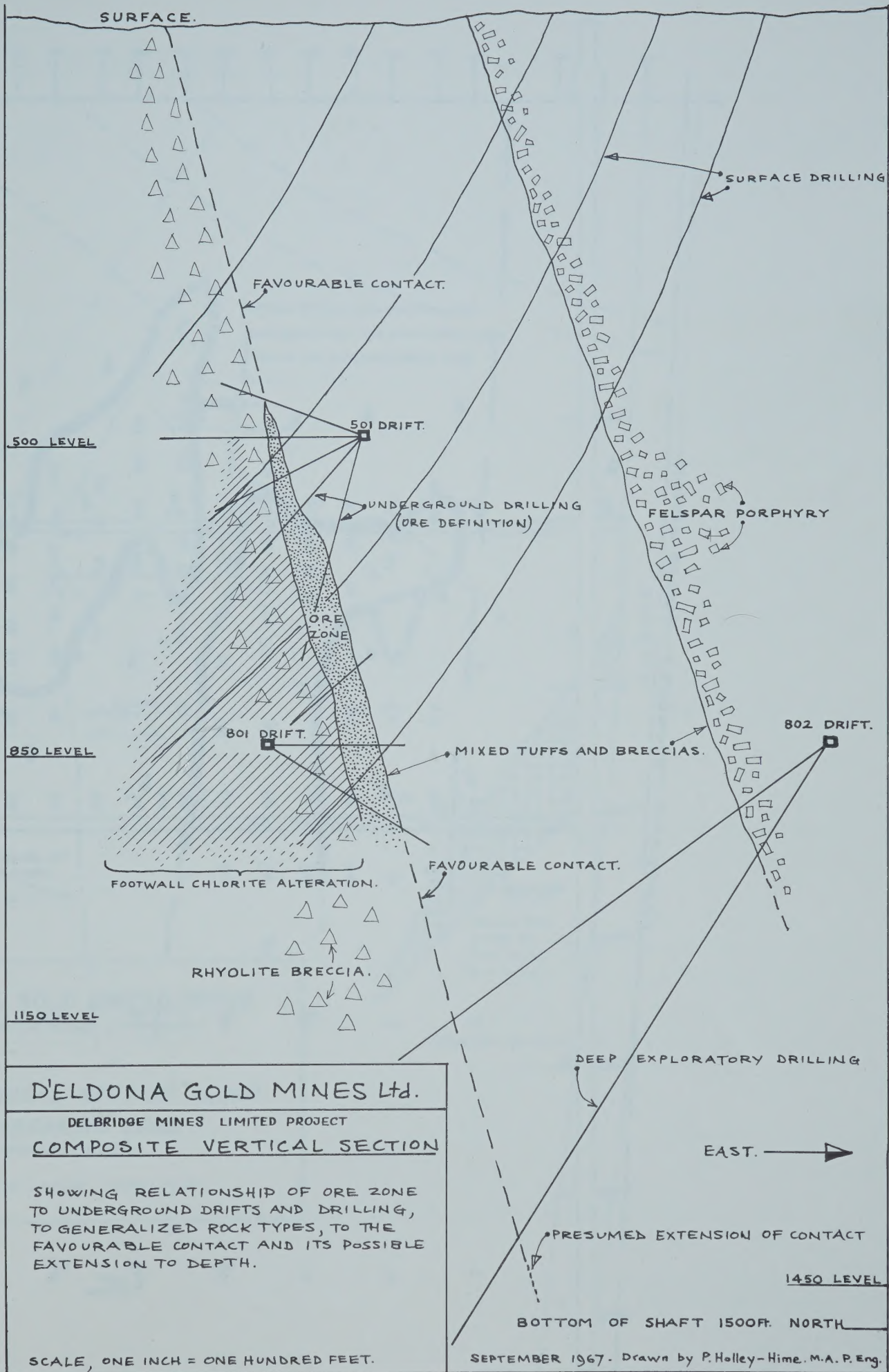
While the Delbridge operation remains the main and most important segment of your company's activities, a modest outside exploration program is being maintained. This involves a 25 claim group staked in Ottaway Township in the Timmin's base metals camp of Northern Ontario, where a line cutting program has been completed and a magnetometer survey is nearing completion. Results from this are expected within two weeks and will provide the basis for a future program.

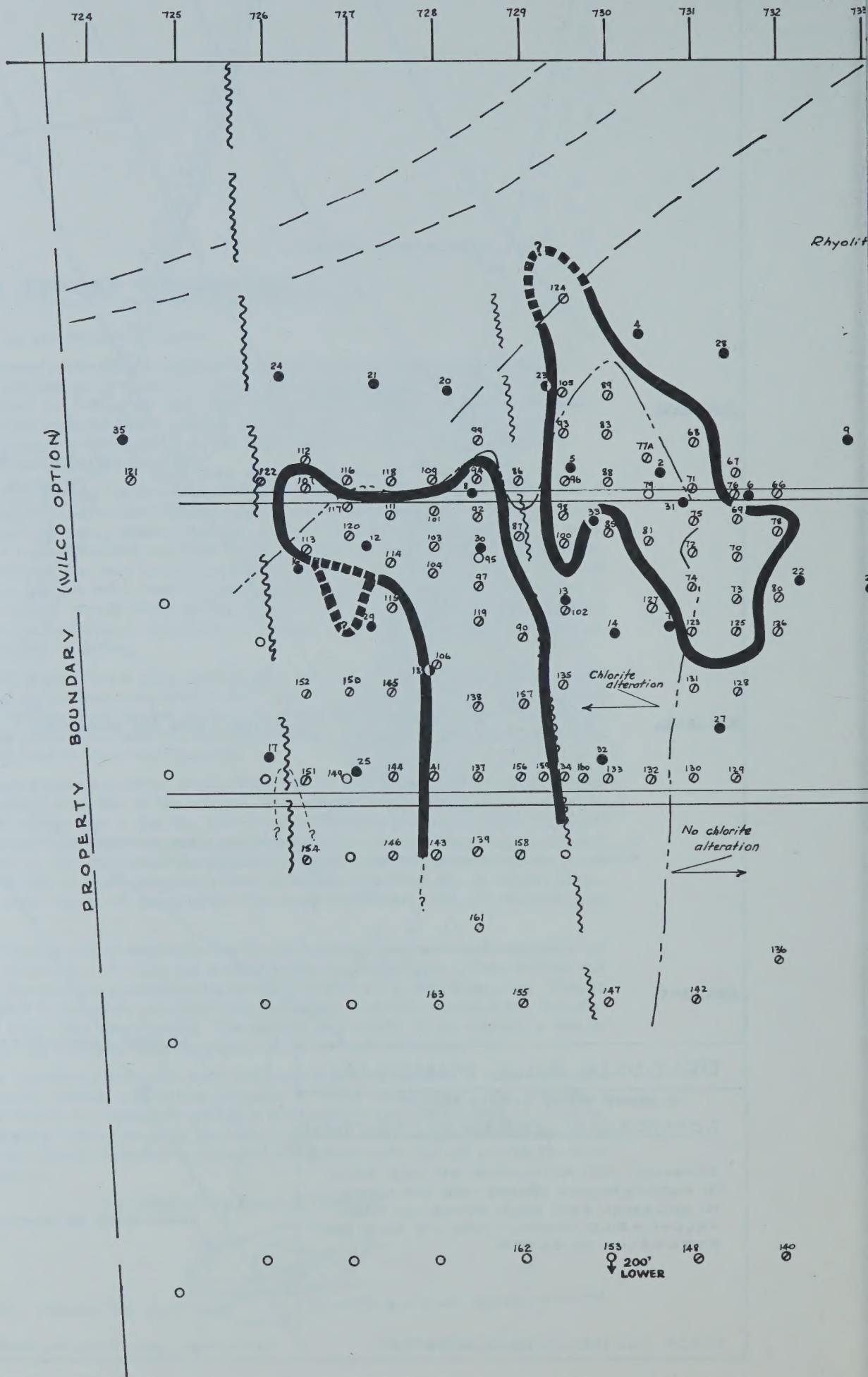
On behalf of the Board of Directors.

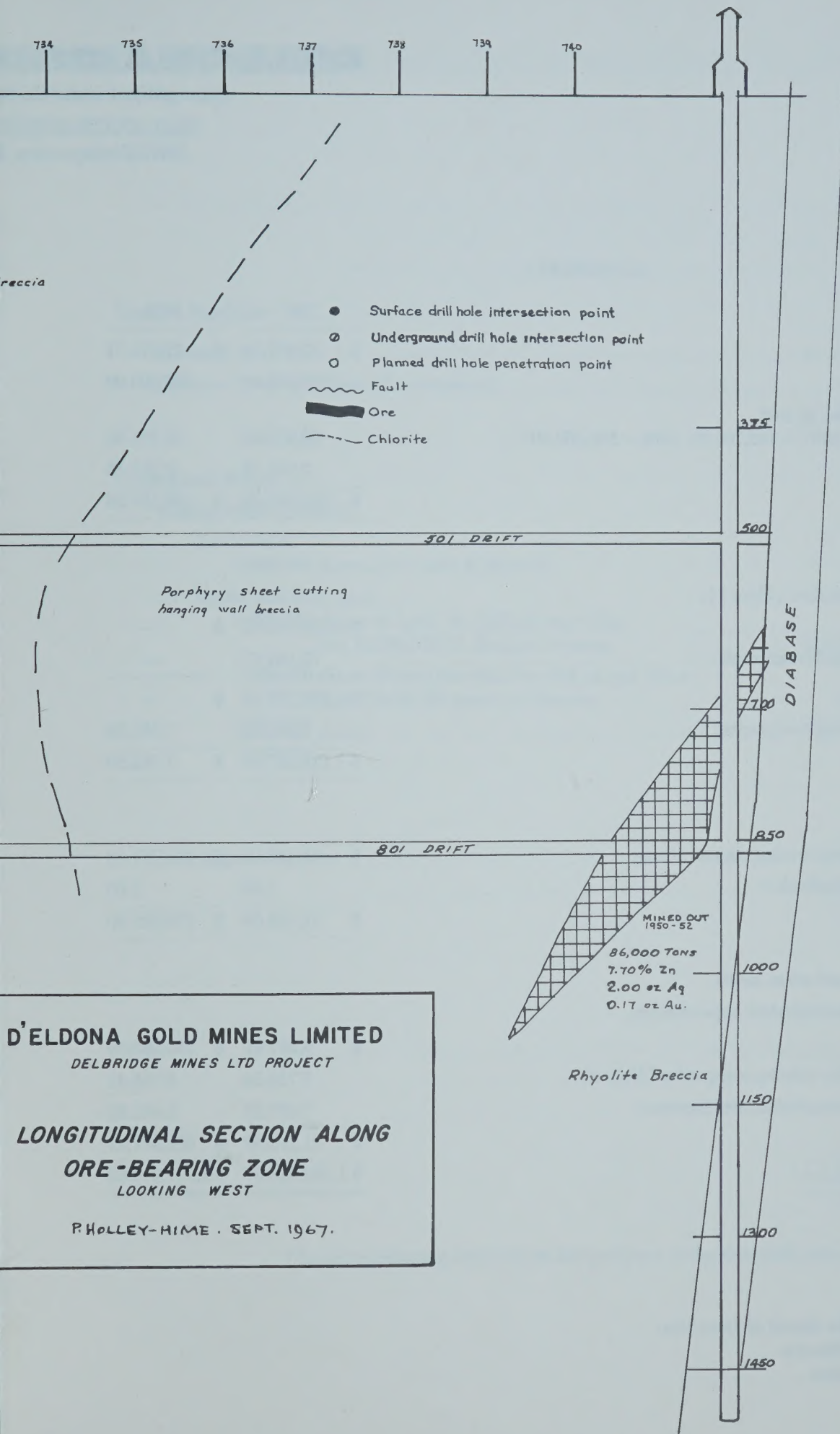
A handwritten signature in dark ink, appearing to read 'E. Franklin Furniss', written in a cursive style.

October 6, 1967.

E. Franklin Furniss, President







D'ELDONA GOLD

(Incorporated under the laws of the State of Nevada)

BALANCE SHEET

(With comparative figures for 1966)

ASSETS

Current assets	1967	1966
Cash.....	\$ 83,877.54	\$ 57,973.71
Short-term deposits.....	350,000.00	100,000.00
Marketable securities, at cost (market value 1967 — \$46,700.00; 1966 — \$30,350.00).....	50,235.00	35,981.50
Accrued interest.....	3,933.15	2,202.45
	<u>\$ 488,045.69</u>	<u>\$ 196,157.66</u>
Investments, at cost		
Delbridge Mines Limited (Note 1):		
Shares.....	\$ 1,055,655.72	\$ —
Exploration and development.....	75,139.47	—
	<u>\$ 1,130,795.19</u>	<u>\$ —</u>
Shares in other mining companies.....	7,562.50	7,562.50
	<u>\$ 1,138,357.69</u>	<u>\$ 7,562.50</u>
Fixed assets		
Interest in unpatented mining claims, at cost.....	\$ 21,437.50	\$ 270,921.00
Equipment, at nominal value.....	1.00	1.00
	<u>\$ 21,438.50</u>	<u>\$ 270,922.00</u>
Deferred expenditures and other assets		
Exploration and administrative expenditures, per statement.....	\$ 5,997.91	\$ 788,696.80
Receivable from other mining companies (Note 2).....	7,710.32	6,215.41
Incorporation and recapitalization expenses.....	7,465.26	7,465.26
	<u>\$ 21,173.49</u>	<u>\$ 802,377.47</u>
	<u><u>\$ 1,669,015.37</u></u>	<u><u>\$ 1,277,019.63</u></u>

Approved on behalf of the Board of Directors:

E. F. FURNISS, Director

V. HEDGES, Director

MINES LIMITED

of the Province of Ontario)

AS AT APRIL 30, 1967

(as at April 30, 1966)

LIABILITIES

Current liabilities

	1967	1966
Accounts payable.....	\$ 31,137.47	\$ 2,949.78
Balance due on purchase of investments.....	—	8,920.20
	<u>\$ 31,137.47</u>	<u>\$ 11,869.98</u>

Capital and deficit

Capital stock (Note 3)

Authorized:

6,000,000 shares, par value \$1.00 each

Issued and fully paid:

5,255,666 shares at April 30, 1966, at par value		
less \$2,986,650.00 discount thereon.....	\$ 2,269,016.00	\$ 2,269,016.00
300,000 shares during the year for cash, at par value		
plus \$75,000.00 premium thereon.....	375,000.00	—
<u>5,555,666 shares.....</u>	<u>\$ 2,644,016.00</u>	<u>\$ 2,269,016.00</u>

Deficit, per statement.....	1,006,138.10	1,003,866.35
	<u>\$ 1,637,877.90</u>	<u>\$ 1,265,149.65</u>

<u>\$ 1,669,015.37</u>	<u>\$ 1,277,019.63</u>
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The accompanying notes are an integral part of the financial statements.

D'ELDONA GOLD MINES LIMITED

DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES FOR THE YEAR ENDED APRIL 30, 1967

(With comparative figures for the year ended April 30, 1966)

Exploration expenditures	1967	1966
Engineers' and geologists' fees and expenses.....	\$ 5,171.55	\$ 5,584.03
Government fees and licenses.....	416.75	858.49
Miscellaneous expenses.....	60.00	427.50
	<u>\$ 5,648.30</u>	<u>\$ 6,870.02</u>
Administrative expenditures		
Secretarial and accounting services*.....	\$ 6,750.00	\$ 4,350.00
Transfer agent's fees and expenses.....	2,244.10	4,683.75
Legal and audit fees.....	5,725.00	2,475.00
Shareholders' information and publicity.....	1,801.76	910.35
Directors' fees.....	1,900.00	1,550.00
Officer's remuneration.....	5,000.00	5,666.68
Shareholders' meeting expenses.....	2,119.77	818.89
Stock exchange fees and expenses.....	309.96	360.06
Travel expenses.....	312.50	553.75
Interest expense.....	940.61	—
Miscellaneous.....	477.33	913.34
	<u>\$ 27,581.03</u>	<u>\$ 22,281.82</u>
Less — interest and dividend income.....	10,693.50	2,692.00
	<u>\$ 16,887.53</u>	<u>\$ 19,589.82</u>
Total expenditures for the year.....	\$ 22,535.83	\$ 26,459.84
Balance deferred at beginning of year.....	788,696.80	781,679.38
	<u>\$811,232.63</u>	<u>\$808,139.22</u>
Deduct:		
Preproduction, exploration and administrative expenses deemed applicable to Rouyn Township property (Note 1).....	\$805,234.72	\$ —
Exploration and administrative expenditures incurred on claims abandoned — written off to deficit.....	—	14,993.49
Expenses recoverable from Bazeldo Mines Limited.....	—	4,448.93
	<u>\$805,234.72</u>	<u>\$ 19,442.42</u>
Balance deferred at end of period.....	<u>\$ 5,997.91</u>	<u>\$788,696.80</u>

*Paid to Corporate Services, a company owned by the President of D'Eldona Gold Mines Limited.

D'ELDONA GOLD MINES LIMITED

STATEMENT OF DEFICIT FOR THE YEAR ENDED APRIL 30, 1967 (With comparative figures for the year ended April 30, 1966)

	1967	1966
Balance at beginning of year.....	\$ 1,003,866.35	\$ 976,166.46
Additions during year		
Cost of mining claims abandoned.....	\$ —	\$ 13,767.50
Exploration and administrative expenditures incurred on claims abandoned.....	—	14,993.49
Cost of surface rights written off.....	500.00	—
Loss (profit) from sale of investments.....	1,771.75	(1,061.10)
	\$ 2,271.75	\$ 27,699.89
Balance at end of year.....	\$ 1,006,138.10	\$ 1,003,866.35

D'ELDONA GOLD MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED APRIL 30, 1967

(With comparative figures for the year ended April 30, 1966)

	1967	1966
Source of funds		
Proceeds from sale of capital stock.....	\$375,000.00	\$135,000.00
Profit from sale of marketable securities.....	—	1,061.10
	<u>\$375,000.00</u>	<u>\$136,061.10</u>
Application of funds		
Exploration and development — Delbridge Mines Limited		
(Note 1).....	\$ 75,139.47	\$ —
Acquisition of mining claims.....	1,437.50	—
Exploration and administrative expenditures.....	22,535.83	26,459.84
Advances to other mining companies	1,494.91	1,766.48
Shares in other mining companies.. ..	—	800.00
Loss from sale of marketable securities.....	1,771.75	—
	<u>\$102,379.46</u>	<u>\$ 29,026.32</u>
Increase in working capital	<u>\$272,620.54</u>	<u>\$107,034.78</u>
Working capital at end of year	\$456,908.22	\$184,287.68
Working capital at beginning of year	184,287.68	77,252.90
	<u>\$272,620.54</u>	<u>\$107,034.78</u>

D'ELDONA GOLD MINES LIMITED

NOTES TO FINANCIAL STATEMENTS — APRIL 30, 1967

Note 1 — Investment in Delbridge Mines Limited

In consideration of Falconbridge Nickel Mines Limited having expended at least \$500,000.00 in the exploration and development of the company's mining claims in Rouyn Township, Quebec, the company transferred these claims to a newly incorporated company — Delbridge Mines Limited.

The authorized capital of Delbridge Mines Limited consists of 5,000,000 shares, par value \$1.00 each. It has issued 750,000 shares of its capital stock, of which D'Eldona Gold Mines Limited has received 367,498 shares, plus two directors shares (49%) and Falconbridge Nickel Mines Limited has received 382,497 shares, plus three directors shares (51%).

D'Eldona and Falconbridge have undertaken with Delbridge whereby D'Eldona and Falconbridge jointly are to carry on prospecting, exploration and development work on the said mining claims in such manner as they in their sole discretion deem advisable. It is agreed that Falconbridge shall be the manager of the work and have full and sole responsibility and rights for carrying out of all such work in the position as manager. The expenses incurred shall be borne as to 50% by Falconbridge and 49% by D'Eldona, and that the shares of Delbridge to be issued in consideration therefore (as hereinafter defined) will be divided between them in the same proportion. Either party may at any time discontinue its participation in the work upon giving thirty days written notice.

Falconbridge and D'Eldona will be entitled to receive one fully paid share of Delbridge for every \$1.00 of expenses incurred by them and Delbridge agrees that it will from time to time allot and issue shares in its capital stock as contemplated by this agreement.

The \$1,055,655.72 shown on the balance sheet is deemed to be the cost of the 367,498 shares of Delbridge Mines Limited and was determined as follows:

Company's cost of the mining claims in Rouyn Township — \$241,921.00 valuation	
attributed to capital stock issued for the claims plus \$8,500.00 paid in cash.....	\$ 250,421.00
Preproduction, exploration, development and head office expenses applicable to the	
mining claims in Rouyn Township.....	805,234.72
	<u>\$1,055,655.72</u>

To April 30, 1967, the company and Falconbridge have incurred a total of \$153,345.08 on the joint program of which the company's 49% share is \$75,139.47.

Note 2 — Receivable from other mining companies

These mining companies are not in a position at the present time to repay the \$7,710.32. Collectibility is dependent upon the success attained by them in the development of their mining properties or upon future financing.

Note 3 — Options on capital stock

There is an outstanding option on 150,000 shares of the company's capital stock at \$1.50 per share exercisable on or before May 23, 1967.

Note 4 — 1966 comparative figures

For comparative purposes, certain 1966 figures have been reclassified on the same basis as has been used in 1967.

Fisher, Niscker & Company

CHARTERED ACCOUNTANTS

62 RICHMOND ST. WEST

TORONTO, ONTARIO

AUDITORS' REPORT

To the Shareholders of
D'ELDONA GOLD MINES LIMITED

We have examined the balance sheet of D'Eldona Gold Mines Limited as at April 30, 1967 and the statements of deferred exploration and administrative expenditures and deficit for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of deferred exploration and administrative expenditures and deficit present fairly the financial position of the company as at April 30, 1967 and its activities for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the source and application of funds of the company for the year ended April 30, 1967.

Toronto, Ontario,
May 15, 1967.

Chartered Accountants.

